

Speaker Fitzgerald, Speaker Pro Tem Kramer, President Ellis, Majority Leader Fitzgerald, Minority Leader Miller, Minority Leader Barca, members of the Wisconsin Supreme Court, Constitutional Officers, tribal leaders, members of the Cabinet, distinguished guests, members of the Legislature, my wife Tonette and our family and most importantly fellow citizens of the great state of Wisconsin, it is an honor to appear before you tonight.

Next to my wife is the Adjutant General of Wisconsin Major General Don Dunbar. I want to thank him and the more than 10,000 members of our state's National Guard.

With him tonight are the members of the 724th Engineer Battalion. I first spoke with them when they were deployed in Iraq. I greeted them when they returned home and then, I saw many of them again this summer as they responded to the massive damage caused by the wind storms in northwestern Wisconsin.

Their dedication - to their country, their state and, their communities is a prime example of what we all know as the Spirit of Wisconsin. We thank them - and all of the other men and women in uniform: both past and present - for their service.

Before we begin our conversation, let us take a moment to honor a member of our state government family, who couldn't be with us tonight. Representative Tamara Grigsby is fighting a brave battle. Like so many of you, Tonette and I continue to send our thoughts and prayers to Representative Grigsby and her family, and we look forward to seeing her in this chamber again very soon.

Tonight, we come together to discuss the state of our state. To do so, we need to remember where we were as a state prior to a year ago, what we've accomplished over the past year and most importantly where we are headed in the year to come.

When I addressed you in this chamber last January, Wisconsin had suffered through three years of 150,000 of our fellow citizens losing their jobs. The unemployment rate was 7.5%. And after years of tax increases and budget tricks, Wisconsin faced one of the largest budget deficits in the country.

Now, our unemployment rate is down from a year ago. In fact, it's the lowest it's been since 2008.

We are turning things around. We are heading in the right direction.

During the past year, we added thousands of new jobs. And we balanced the state budget. We balanced it -- without raising taxes; without massive layoffs; and without budget tricks; all of which allowed us to put more than \$1.2 billion of new state money into Medicaid programs like Badgercare and FamilyCare.

Tonight, I want to share with you how we got here and I want to share our plan for:

- Helping the people of Wisconsin create more jobs,
- Keeping a balanced budget and
- Improving the education of our kids by working together.

When I ran for governor, I talked a great deal about the core principles I call "Brown Bag Common

Sense.” One of those principles is that people create jobs, not the government.

In the past, however, some thought that the government did create jobs and that's how they justified raising taxes to pay for the unsustainable expansion of government.

That thinking might explain why prior to my taking office the state lost 150,000 private sector jobs.

In contrast, I believe it is the people of this state who create jobs and not the government. With that in mind, I set out to improve the climate for small businesses in Wisconsin.

Last year, we passed some of the most aggressive pro-jobs legislation in the country. And we did it with help from lawmakers in both parties because these aren't Republican or Democrat jobs, they're Wisconsin jobs.

Tonight I'm happy to report that after three years of losing 150,000 jobs Wisconsin actually added thousands of new jobs in 2011. New business formations are up by over 2 percent. And our unemployment rate is down from a year ago.

In fact, Wisconsin's unemployment rate is not only lower than the national average but much better than our neighbors to the south in Illinois.

Most importantly, we improved the climate for job creators here in Wisconsin over the past year.

Today, 94% of our job creators believe Wisconsin is headed in the right direction. That compares to just ten percent who thought the same thing just two years ago. And a majority of these employers say they're going to grow in 2012.

They will join companies like RUUD Lighting in Sturtevant or Uline in Hudson, Collaborative Consulting in Wausau or Shopko in Green Bay, Generac in Whitewater or City Brewing in La Crosse - all of whom announced new jobs during the past year.

They'll join Kestrel Aircraft in Superior. I was just there two weeks ago when they announced they're adding 600 new jobs. The Mayor said it was the largest jobs project in the region since World War II.

But, the inspiring stories don't come just from company owners or plant managers; they come from employees.

Sandy Breth -- who is here with us tonight -- has one of those great stories.

When the economy took a dive a few years ago, she took a pay cut. Not long after that, she lost her job. Today, however, she's working at G3 Industries in Mosinee.

G3 is one of those companies that added jobs in the past year and now has plans to add even more in the future. The owner told me that he's creating more jobs in Wisconsin because he likes the way we are moving our state forward.

Without the positive changes, he told me he would not have had the confidence to grow his business here. Improving the business climate is not only good for business owners; it's good for people like

Sandy and her family.

We need more stories like hers in Wisconsin. So our Lieutenant Governor and I held small business round-tables all over the state.

From La Crosse to Green Bay, from Superior to Racine, from Milwaukee to Eau Claire, from Madison to Wausau, we listened. In particular, we heard many business owners say that they have jobs but that they cannot find enough skilled workers to fill them. This is a problem that must be solved.

With that in mind, we introduced our Wisconsin Working jobs plan. In it, we double the number of job fairs, add staff to connect people to employment, make it easier for job seekers to get needed skills and we prepare to do more to promote manufacturing.

In addition, we are specifically targeting our veterans for full employment. It is unacceptable to think that any man or woman who has served our country would return home and not be able to find a job. I made employment of our returning veterans the number one mission of our state Department of Veterans Affairs.

Focusing on veterans is good for employers like Monarch Company in Milwaukee who is looking to add machinists and welders. After a recent visit there they told me they understand the benefits of employing veterans. Our returning service members are good hires because they are well disciplined. On top of that, they can get their training paid for through the Wisconsin GI Bill that we fully restored last year.

To create more jobs, employers told us they also need help cutting through the red tape of government.

Tonight, I'm announcing new members to the Small Business Regulatory Review Board which has the authority to review every rule in all of our state agencies. I will direct our agencies to work with them to remove antiquated and unnecessary regulations that pose a threat to creating new jobs.

Employers also told us that they need a 21st century infrastructure system to drive economic development. After the previous administration raided more than a billion dollars out of the Transportation Fund, I took action to restore our commitment to good roads, freight rail and strong ports. We know that a strong transportation system helps manufacturers and farmers get product to and from market and it keeps good people on the job building that infrastructure.

There is another tremendous opportunity for job growth. We can pass legislation that will streamline the process for safe and environmentally sound mining. The proposed project in northwestern Wisconsin could provide at least 700 jobs at the mine and thousands across the state.

I mentioned this idea several times during the campaign and we've debated it for months. Now it is time for Wisconsin to move forward on a project that is not only about jobs but also about the history of our badger state.

Our heritage in Wisconsin is also built on fiscal restraint. One of the most important parts of our state constitution affirms that "frugality in government leads to freedom and prosperity for our people." That is worth repeating: "frugality in government leads to freedom and prosperity for our people." I believe our founders had it right.

Think about it, when I spoke here last January, Wisconsin faced a \$3.6 billion deficit.

In the past, state government took more than a billion dollars away from building safe roads and bridges, illegally raided the fund to support malpractice victims and ignored a payment to Minnesota for tax reciprocity. And one-time federal stimulus money was used for ongoing costs –all of these practices left us with a more than \$3 billion hole to fill last year.

While these poor decisions of the past left us with a major budget deficit, Wisconsin was not alone. Nearly every state in America faced a budget deficit in 2011. So what did other states do?

Some, like Illinois, raised taxes - but that only made matters worse.

Other states used massive layoffs to balance their budgets. - We avoided that in Wisconsin.

Some states cut core services like Medicaid. But in Wisconsin, we added some \$1.2 billion to Medicaid and our reforms allow us to expand Familycare - our long-term care program for seniors - all across the state.

Still other states opted to use budget tricks. But I didn't want to pass that burden on to my sons and their generation. I want our kids and grandkids to inherit a Wisconsin even greater than the one we did.

With that in mind, we balanced the \$3.6 billion budget deficit with long-term, structural reforms. We thought more about the next generation than we did about the next election.

And isn't that what the people elected us to do? We kept our promises.

It's why our ranking as a good place to create jobs went up faster than any state in the country last year. We went from years of being ranked in the bottom ten to breaking into the top half of the states. Employers appreciate that we took our fiscal problems seriously and that we addressed them with real solutions.

Another important pledge I made was to not raise taxes. That's even more important in a tough economy.

Many of us believe that the \$3 billion tax increase imposed a few years ago actually led to the massive job losses through 2010. In contrast, we enacted a budget in 2011 that lowered the overall tax burden in Wisconsin.

For the five years prior to last year, the average school tax levy increased \$220 million per year. Our reforms led to the first decrease in the school property tax levy in six years. The total school tax levy actually went down by more than \$47 million.

That means real money in the hands of real people. People like Pam Petry of Rice Lake. Mrs. Petry saw her property tax go down by more than \$100 this year. Or people like Gail Griswold of West Salem who was surprised to see her bill go down, too.

Our reforms helped protect these taxpayers and thousands of others across the state.

Still, there is more to be done to protect the taxpayers of Wisconsin. Last year, I appointed the bipartisan Commission on Waste, Fraud, and Abuse. The members turned in their final report earlier this month. In it, they identified over \$400 million in savings for the taxpayers.

We've already implemented some of the recommendations from this report. And to date, these reforms have saved taxpayers tens of millions of dollars. That's a great start.

But identifying waste isn't enough; we need to eliminate it. To that end, I'm announcing the Waste, Fraud and Abuse Elimination Taskforce charged with the responsibility to follow through on the report.

Because I respect the hard working people of Wisconsin, I will continue to be a good steward of the taxpayers' dollar. Eliminating waste, fraud and abuse is a top priority of my administration.

Just as important as saving money, our reforms help government work well in places where it does have a legitimate role – like education. As governor, I travel the state and see great schools all the time. And as the father of two public high school students, I'm reminded of their importance every day

I want to improve our schools and ensure that every kid - no matter what zip code they live in - has access to a great education.

Fortunately, we can have great schools and protect taxpayers at the same time. We just have to spend our money more wisely. For example, before our reforms, school districts often had to buy their health insurance from one company which cost them millions of dollars.

Now, they can bid it out and that is saving school districts millions of dollars across the state. The Hartland-Lakeside School District saved nearly \$700,000 by switching insurance providers. In Menomonee Falls they saved \$2.4 million. In North Fond du Lac they were able to keep the same provider but saved over \$300,000. That's money that can go directly into the classroom.

Here's another example, a few years ago long before I was governor, a young woman was named the Outstanding Initial Educator by the Wisconsin Council of Teachers of English. Not long after she received the award, she was laid off.

Why? Well, under the old collective bargaining system she was one of the first to be laid off because she was one of the last ones to be hired. It didn't matter that she was one of the best teachers in the state.

To correct problems like that, our reforms now allow local school districts to staff based on merit and pay based on performance. That means we can put the best and brightest in our classrooms - and we can keep them there.

Two years ago, I spoke to the convention of school board members and administrators and laid out my plan. As a candidate for Governor, I told them that the system needed to be reformed and that we should empower local officials who were elected at the local level to make the decisions about their schools. And that's exactly what our reforms do.

The best reminder of that came from the words of a superintendent of a small school district who said to me "now I get to go back to my office and focus on curriculum instead of grievances." That is exactly

what all of this hard work is for – to allow our schools, as well as our state and local governments, to work better for the people we serve.

Tonight, I want to again thank the many teachers and public servants from across the state of Wisconsin. We appreciate your hard work and your dedication to serving the public. And we are glad that Wisconsin avoided the massive layoffs of government employees experienced in other states.

Looking ahead, there is much more to be done to improve our education system.

No skill is as fundamental to student achievement as the ability to read. Something profound happens when a student passes from third grade to fourth grade. You see, from kindergarten through third grade, students spend the bulk of their time learning to read. But by fourth grade, our kids must be equipped with proficient reading skills, so they are no longer learning to read, but reading to learn.

That's why I joined with Superintendent of Public Instruction Tony Evers to put together a Read to Lead task force – which was a diverse group of educators, reading specialists, parents and others from across the state to create a plan for improving the reading skills of our students.

I also want to commend Senator Luther Olsen, Representative Steve Kestell and Representative Jason Fields – as well as each of the other taskforce members for working together on Read to Lead.

Wisconsin used to lead the nation as one of the top-ranked states in 4th grade reading assessment. But by the time I took office Wisconsin had sunk to the middle of the pack. We can all agree that we can and should do better.

As part of our Read to Lead plan, we propose swift action to get our students back on top when it comes to reading.

- We will fund screeners to assess every child entering kindergarten so that our teachers know the reading levels of each of their students and can put together plans to get kids reading at grade level.
- We will require the state's Young Star program which works with child care providers to include a new focus on reading skills and new training on early childhood education.
- We will implement a more rigorous licensure exam for elementary education programs patterned after the highly successful program in Massachusetts.
- We will create a Read to Lead development council to raise support for reading programs all across Wisconsin.

A study last April showed that students are 4 times more likely to drop out of a school if they are not reading at grade level by the time they leave third grade and they are 13 times more likely if you include poverty as an additional factor. It is our duty to help all our kids learn to read early, so they don't ever have to feel like learning isn't for them.

Our most ambitious goal is developing a uniquely Wisconsin school and school district accountability plan.

Dr. Evers and I have been working with a diverse group of individuals to develop our plan to let parents, teachers, and communities know which schools are performing well, so that we can replicate their success. And we do need to know which schools are failing, so we can help them.

Ultimately, educators, parents and even employers will be able to look at the scores of schools and school districts all across the state. Every school that receives public funds – be it a traditional public school, a charter school or a choice school – will be rated by a fair, objective and transparent system. We are proud of the work done by this design team and I want to thank Dr. Evers and his staff for the great leadership and collaboration on this important project.

Tonight I've discussed our challenges, our progress and our vision for success as we seek to create a climate for more jobs, a fiscally sound state government and an education system that works well for all of our children. Now, I'm asking each of you – in every part of the state - to help us move Wisconsin forward.

Over the last year, we've demonstrated our commitment to improve the climate for business here in Wisconsin. Tonight I'm asking small business owners from across the state to consider hiring at least one more person this year.

Imagine how many more people we could get working if we all pitched in together.

To continue to improve our fiscal standing so our kids inherit a state without massive deficits, I ask each of you to share your ideas of how to eliminate waste, fraud and abuse in government at our website bestpractices.wi.gov.

Imagine how much better we can make our government work if we share good ideas and suggestions.

To continue to improve the educational opportunities for our kids, I'm asking each of you to join me and become a reading mentor. Last week, I started reading with a third grader in Milwaukee.

I read to her about Science and the marine life under the water. She read to me out of her book about the adventures of Edgar and Ellen. Then we did a reading exercise on the computer. I've got to tell you that I was impressed.

Imagine how many kids we can inspire to be great readers if we all reach out to our local schools.

In closing, let me leave you with a final thought.

Years ago, when I had the honor of representing the people of Wauwatosa in this chamber I learned a valuable lesson: don't personalize your differences. Over the years, I passed that on to many others with the simple reminder that your opponent today may be your ally tomorrow.

The people I've met travelling the state over the past year seem to reflect that simple concept of respect for their fellow citizen. Sure, there are plenty of people with plenty of different opinions – on politics, on business, on religion, on sports, on just about anything in this state. But what I've found in most parts of Wisconsin is a sense of respect.

Most of the people I've met in this state care – not only for their family and friends – but for the well-being of their neighbors and fellow citizens.

That's the spirit of Wisconsin. I've seen it in the faces of the volunteers who show up to help after tornadoes in places like Merrill or La Crosse or Marinette. And I've always seen it in the faces of our

men and women in uniform like the members of the 724th we met at the start of the night.

Moving forward I believe that spirit of Wisconsin will help us improve the state of our economy, the state of our budget, the state of our schools and – ultimately, the spirit of Wisconsin will help us all improve the lives of each and every citizen in our great state.

Now is the time for action. Now is the time to get our state working again. Now is the time to move Wisconsin forward.

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